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TAGS: [EFIN](#) [EMIN](#) [ENRG](#) [PREL](#) [CH](#) [CD](#) [TW](#)

SUBJECT: WHILE TAIWAN AND PRC PLAY FOR CHAD OIL, WORLD BANK
HOLDS THE CARDS.

Classified By: ADIR DAVID KEEGAN FOR REASONS 1.4 B and D

¶1. (C) Summary. The \$30-million dollar Chad/Taiwan oil exploration agreement looks good for Taiwan on the surface, this is an energy poor island which needs oil to meet its energy needs has found a new source in Africa, and can use this latest project to assist cash-strapped Chad and maintain its diplomatic ties. However the success of the Chad deal is not only dependent on Taiwan finding the oil. The World Bank (WB) holds the key in the mostly complete \$3.7 billion pipeline project from Chad to Cameroon. If the WB withdraws support from the pipeline, then any oil found by Taiwan will be uneconomical to export. Taiwan and Chad's interest in keeping the WB engaged is therefore crucial to their ability to generate revenue from any oil found in the new concessions. end summary

TAIWAN IN CHAD: THE POLITICS OF INVESTMENT

¶2. (C). China Petroleum Company (CPC) exploration officials at the CPC headquarters in Taipei met with AIT to give a perspective on Taiwan's oil exploration agreement with Chad. Shiao Tsung-Wen, the deputy manager of CPC overseas exploration told AIT that the PRC preceded Taiwan in Chad oil investment. The PRC he said they bought a 50 percent interest in Chad exploration through a Swiss company. According to Shiao there are an estimated 100 PRC staff on the ground in Chad versus only 3 from Taiwan. Shiao said that the CPC, being a government company, lacked the freedom of private companies to bid on oil interests and had to be very careful in its investment projects since they were accountable to the legislature. On the day of econoff's visit, the CPC director of overseas exploration had been summoned to the National Security Council for consultations. According to CPC, the Taiwan portion of the oil concession covers an area adjacent to the "Cliveden/EnCana lease". The \$30 million oil exploration agreement with Chad will cover initial exploration costs. CPC hopes that the 4-year exploration license will allow Taiwan to find oil and to export it through Cameroon.

¶3. (C) AIT met later with MOFA Africa Bureau Section Chief Alex Cheng to get a readout of Chad/Taiwan relations in the context of this oil agreement. Cheng said Taiwan/Chad ties date back to 1997. Cheng did not explain the coincidence of Chad petroleum minister Hassan's visit to Taiwan shortly

after the World Bank ended its the loan agreement with Chad, but he added that Taiwan has an extensive aid program in Chad. Taiwan's aid program covers agriculture, infrastructure, medical assistance and education. Cheng refused to divulge the total value of this aid simply saying that was confidential information. He denied allegations that part of the aid consisted of light weapons saying that was a fabrication by an American scholar. (Note: Taiwan press reports claim that the Taiwan ambassador was called from the airport as he was leaving country to be informed that Chad finally agreed to sign the oil exploration agreement. It also reports that Taiwan gave in to Chad's demands for additional aid in order to keep its tenuous diplomatic ties with Chad. End note) Asked how Taiwan will be able to export the oil it hopes to find in its concession, Cheng admitted that the closest connection was the Doba oilfields located south of the concession and that he didn't know how any oil found would be shipped from Taiwan's concession area. Acknowledging the importance of the World Bank's continued investment in the Chad Cameroon oil pipeline, Cheng said however, that the primary investors in the pipeline were the major oil companies of EXXON/MOBIL with additional investment from Malaysia's Petronas.

THE PRC CONNECTION: CLIVEDEN AND THE RECLUSIVE MILLIONAIRE

14. (U) Based on news reports, Cliveden, the Swiss company owned by a British national: reclusive millionaire oil/dealer Friedhelm Eronat, reached a \$45 million deal with the PRC's National Petroleum Company CNPC for a 50 percent share in Cliveden. The other 50 percent is owned by Canadian partner EnCana (a Canadian energy company). According to news sources, EnCana was not notified by its partner of the Chinese purchase until after the deal was finalized. EnCana has since pulled out of Chad and Taiwan has been sold the EnCana concession. CPC officials confirmed that their concession is right next to the PRC's in an area that has a high potential for oil deposits.

THE CHAD CAMEROON PIPELINE: WORLD BANK HOLDS SWAY

15. (U) The controversial \$3.7 billion dollar Chad-Cameroon pipeline runs from the Southern Chad oilfields of Doba to Cameroon's coast. It is 1,070 km in length and began operation in 2003. In 2005 it produced oil revenues to Chad of \$399 million. (Note: according to Taiwan MOFA officials, Chad only gets 12.5 percent of the total oil revenues; the remainder goes to the oil companies. End note). An average of 225,000 barrels of oil per day can be shipped from southern Chad to the Atlantic coast of Cameroon and exported. The World Bank has advanced loans to Chad to finance the cost of the pipeline. EXXON/MOBIL and Petronas have co-financed the project with the World Bank. The loans to Chad were made with the proviso that Chad would use part of its oil revenue to help its poor through social programs in health, education, etc. Reports of the Chad authorities using part of the oil revenue to purchase weapons to fight a civil war between its Muslim north and Christian/Animist south have led the World Bank to reconsider its loan commitment.

6Q(C) COMMENT. This is not the first time that Taiwan has bowed to the pressures of diplomatic recognition. Although CPC officials only refer to the \$17 million exploration agreement (advance payment on the \$30 million agreement) it is clear that this was not the only sum that was pledged by Taiwan. While the exploration agreement looks promising for Taiwan, without the World Bank's financing of the Chad-Cameroon pipeline, the oil will not flow and Taiwan may soon find itself being pressured by Chad for more assistance. In order to get its exploration going and to be able to explain to the public that it has potential, CPC will need to show that its agreement with Chad is economically sound. Therefore Taiwan and Chad have great interest in keeping the

WB engaged in the pipeline for the long run. CPC officials have four years to prove that their concession has oil and can be economically exploited. With so much at stake in the Chad oil deal, it is no wonder that Taiwan is intent on keeping the World Bank engaged in Chad. END COMMENT
KEEGAN